

# Fair Labor Association: Independent External Factory Assessment

Assessment Date :

**14 Aug 2023**



## Factory Information

FLA Affiliates	Amer Sports, Nike, Inc
Country	Indonesia
Number of Workers	1214

## Understanding this Report

Companies that join the FLA agree to uphold the FLA Workplace Code of Conduct throughout their entire supply chain. The Code of Conduct is based on International Labour Organization (ILO) standards, and defines labor standards that aim to achieve decent and humane working conditions.

## FLA Code Element

## Number of Violations

FLA Code Element	Number of Violations
Child Labor (CL)	1
Compensation (C)	1
Employment Relationship (ER)	8
Freedom Of Association And Collective Bargaining (FOA)	1
Harassment Or Abuse (H/A)	2
Health, Safety And Environment (HSE)	10
Hours Of Work (HOW)	1

## Assessment Information

Assessor	Openview - Vietnam
Assessment Date	14 Aug 2023
Assessment Purpose	

## ASSESSMENT RESULTS

### Child Labor (CL)

Benchmark ID	CL.1
Benchmark Details	Employers shall comply with all national laws, regulations and procedures concerning the prohibition of child labor.
Finding Details	The factory's age verification process does not clearly indicate what steps will be taken to verify the age of a candidate during the hiring process.
Recommendation for Immediate Action	
Compliance Classifications	Sustainable Improvement Required
Local Law	

### Compensation (C)

Benchmark ID	C.1.1
Benchmark Details	Employers shall comply with all national laws, regulations and procedures concerning the payment of compensation to workers.
Finding Details	The assessment found that the factory's social security (BPJS Ketenagakerjaan) contributions for July 2023 had not yet been paid at the time of the assessment (August 16). Local law requires this contribution to be made by the 15th of the following month (the July contribution would be due on August 15). In addition, the factory's medical security (BPJS Kesehatan) contribution for August 2023 had not yet been paid. Local law requires this contribution to be paid by the 10th of the same month (the August contribution would be due on August 10, 2023).

Recommendation for Immediate Action	Make all social security (BPJS Ketenagakerjaan) and medical security (BPJS Kesehatan) contributions on time as per local laws.
Compliance Classifications	Immediate Action Required
Local Law	

### Employment Relationship (ER)

Benchmark ID	ER.1.2
Benchmark Details	Employers shall assign responsibility for the administration of human resources to a clearly defined and adequately qualified staff member or staff members and ensure workers at all levels receive communication and training about existing policies and procedures or any revisions.
Finding Details	The factory does not clearly define the qualified staff responsible for each of the Code Elements and employment functions. The organizational chart shows only the responsible staff for compensation, employment relations, and training.
Recommendation for Immediate Action	
Compliance Classifications	Sustainable Improvement Required
Local Law	

Benchmark ID	ER.17.1
Benchmark Details	Employers shall have a clear and transparent system of worker and management communication that enables workers to consult with and provide input to management. This might include suggestion boxes, worker committees, designated spaces for worker meetings, union representatives, and meetings between management and workers' representatives.

Finding Details	The factory's process for checking the suggestion/complaint box only calls for CSR staff to check the suggestion box. A separate party should be designated in order to ensure that the factory's commitment on non-retaliation, confidentiality, and the right to a witness in the grievance system is implemented.
Recommendation for Immediate Action	
Compliance Classifications	Sustainable Improvement Required
Local Law	
Benchmark ID	ER.1.1
Benchmark Details	Employers shall have in place written policies and practices and maintain proper and accurate records governing all aspects of employment from recruitment, hiring and probation, including written terms and conditions of employment, job descriptions, administration of compensation, and working hours for all positions, through to retrenchment and termination processes.
Finding Details	1. There is no procedure in place to address cases of forced labor found in the factory, including steps to discipline those responsible for the violation of the forced labor policy. 2. There is no procedure in place to address cases of child labor found in the factory, including steps to discipline those responsible for the violation of the child labor policy. 3. There is no policy and procedure to govern all aspects of retrenchment. 4. There are no job descriptions in place for production workers such as sewing, cutting, printing, packaging, and warehouse workers. There is only a job description sheet for the QC supervisor.
Recommendation for Immediate Action	
Compliance Classifications	Sustainable Improvement Required
Local Law	

Benchmark ID	ER.6.1
Benchmark Details	Employers shall have written policies and procedures and implement practices that encourage ongoing training of all categories of workers with the goal of raising or broadening skills in order to advance in their careers within the factory or beyond.
Finding Details	The factory has a policy on personnel development, but does not have a procedure to execute it.
Recommendation for Immediate Action	
Compliance Classifications	Sustainable Improvement Required
Local Law	
Benchmark ID	ER.7.1
Benchmark Details	Employers shall have written policies and procedures with regard to performance reviews that outline the review steps and process, demonstrate linkages to job grading, prohibit discrimination, are provided in writing and seek feedback and agreement/disagreement from employees in writing, and that follow all local legal requirements.
Finding Details	The factory conducted performance reviews in April and May 2023 and increased salaries for workers, but only the summary performance results are recorded. Evaluation records showing the scores of each individual worker for review were not available. Factory management explained that these detailed evaluation records were made, but are no longer maintained by production managers. This lack of documentation prevented the assessment from determining whether performance reviews were conducted effectively.
Recommendation for Immediate Action	
Compliance Classifications	Sustainable Improvement Required

Local Law	
Benchmark ID	ER.8
Benchmark Details	Employers shall have written policies and procedures with regard to promotion, demotion, and job reassignment that outline the criteria, demonstrate linkages to job grading, and prohibit discrimination or use of demotion or job reassignment as a form of penalty or punishment, are provided in writing and seek feedback from employees in writing, and follow all local legal requirements.
Finding Details	Workers receive promotions based on the discretion of the production manager. There are no specific mechanisms or criteria to evaluate workers for promotion in order to ensure compliance with local laws and relevant requirements of non-discrimination and equality.
Recommendation for Immediate Action	
Compliance Classifications	Sustainable Improvement Required
Local Law	
Benchmark ID	ER.19.1
Benchmark Details	Employers shall maintain on file all documentation needed to demonstrate compliance with the FLA Workplace Code and required laws.
Finding Details	1. It was noted that the company code of conduct for FLA's member company Nike was posted at the workplace; however, the company code/workplace standards for FLA member Amer Sports was not posted. 2. The Building Function Certificates (Sertifikat Laik Fungsi / SLF) of building No. 3, which is used for office, warehouse, and printing, has been expired since October 30, 2022. The factory is still in process with the bonded zone authority to renew the Certificate.
Recommendation for Immediate Action	1. N/a 2. Ensure to renew or update the Building Function Certificate (Sertifikat Laik Fungsi / SLF) for building No.3.

Compliance Classifications	Immediate Action Required
Local Law	
Benchmark ID	ER.1.3
Benchmark Details	Employers should implement an annual, review process with input from workers of all policies, procedures and their implementation to ensure they meet legal requirements and the FLA Workplace Code.
Finding Details	The company internal regulations (document No. 2072) were issued on August 2, 2021 with a 2-year validity, as required by local law. The regulations expired on August 1st, 2023, but have not been renewed and legally approved as local law requires.
Recommendation for Immediate Action	Review and secure approval for the factory regulation, as per legal requirements.
Compliance Classifications	Immediate Action Required
Local Law	

### **Freedom Of Association And Collective Bargaining (FOA)**

Benchmark ID	FOA.7
Benchmark Details	Employers shall comply with all relevant provisions where national laws provide special protection to workers or worker representatives engaged in a particular union activity (such as union formation) or to worker representatives with a particular status (such as founding union members or current union office holders).
Finding Details	The factory has an LKSB (Lembaga Kerja Sama Bipartite) committee consisting of 14 representatives: 7 management representatives and 7 worker representatives. However, there are no union representatives from the trade union active at the factory on the committee.

Recommendation for Immediate Action	Ensure that union representatives are included among the worker representatives on the LKSB committee. In so doing, ensure that the LKSB committee membership is 1:1 between management representatives and worker representatives.
Compliance Classifications	Immediate Action Required
Local Law	

### Harassment Or Abuse (H/A)

Benchmark ID	H/A.10.1.2
Benchmark Details	Body searches and physical pat downs shall only be undertaken when there is a specific, legitimate reason to do so and upon consent of workers, unless a state official with the power to do so (e.g. police officer) has ordered the search.
Finding Details	As standard practice, the factory's security guards conduct a daily body search/pat down for all workers without any specific guidance from the factory. The pat down is conducted by a guard of the same gender in a public area four times per day: when workers enter the factory, leave for break time, return after break time, and leave for the day.
Recommendation for Immediate Action	End the routine use of body searches and conduct them only with a legitimate reason, upon workers' consent, and in a private area.
Compliance Classifications	Immediate Action Required
Local Law	
Benchmark ID	H/A.10.1.3
Benchmark Details	Body searches shall not be undertaken in public and the person who undertakes the search shall be of the same sex as the person who is being searched.

Finding Details	Pat downs (see finding H/A.10.1.2) are conducted in public areas.
Recommendation for Immediate Action	Conduct all pat downs in a private area.
Compliance Classifications	Immediate Action Required
Local Law	

### Health, Safety And Environment (HSE)

Benchmark ID	HSE.5.1
Benchmark Details	All applicable, legally required or recommended elements of safe evacuation shall be complied with, including all of the following elements: posting evacuation plans; the installation and maintenance of fire alarms; the installation and maintenance of emergency lighting; ensuring aisles/exits are not blocked and that workers are not blocked within their workstations; employee education and training; and evacuation procedures and fire drills.
Finding Details	1. There are fire resistant doors, but not smoke-sealed emergency exit doors, at emergency exits. 2. Seven (7) out of eight (8) main emergency exit doors are sliding and rolling doors that do not open outward/in the direction of evacuation as is required.
Recommendation for Immediate Action	
Compliance Classifications	Sustainable Improvement Required
Local Law	
Benchmark ID	HSE.5.1.2
Benchmark Details	All applicable, legally required or recommended elements of safe evacuation shall be complied with, including all the following elements: installation and maintenance of fire alarms;

Finding Details	1. The fire alarms in factory No.3 (which is used for the office, printing workshop, and material warehouse) are not centralized. There is no fire alarm control panel installed in this building, only a manual fire alarm system. Management explained that the factory is proceeding to install a system. 2. The fire alarm system in factory No.1 (sewing workshop) did not work during onsite testing. Four (4) out of six (6) tested fire alarm buttons were out of order. 3. The fire alarm sound in the factory No.3 is the same as the sound played to announced the lunch break. This could cause workers to be confused and impact emergency responses.
Recommendation for Immediate Action	1. Install the centralized fire alarm control panel for factory No.3. 2. Ensure all fire alarm systems are in working condition. 3. Distinguish the fire alarm sound from other sounds to ensure workers clearly understand when to evacuate.
Compliance Classifications	Immediate Action Required
Local Law	
Benchmark ID	HSE.9.1
Benchmark Details	All chemicals and hazardous substances shall be properly labeled and stored in secure and ventilated areas and disposed of in a safe and legal manner, in accordance with applicable laws and international standards.
Finding Details	At least 14 chemical bottles and drums in the mechanic room; four (4) chemical drums in the unused item storage area; two (2) chemical drums in the sample material room; and multiple chemicals stored on the mezzanine of the printing workshop of the factory No.3 do not have secondary containers or identification labels in the local language, as is legally required.
Recommendation for Immediate Action	Provide secondary containers and identification labels in the local language for all chemicals used and stored in the factory.
Compliance Classifications	Immediate Action Required
Local Law	

Benchmark ID	HSE.13
Benchmark Details	All necessary ventilation, plumbing, electrical, noise and lighting services shall be installed and maintained to conform to applicable laws and to prevent or minimize hazardous conditions to workers in the facility.
Finding Details	There are unsafe electrical wire designs at the finished goods warehouse (Factory No.1). The assessment observed some electrical wires stuck directly on a metal fence, risking electric shock.
Recommendation for Immediate Action	Re-design the electrical wiring at the finished goods warehouse to ensure electrical safety.
Compliance Classifications	Immediate Action Required
Local Law	
Benchmark ID	HSE.14.1
Benchmark Details	All production machinery, equipment and tools shall be properly guarded and regularly maintained.
Finding Details	There are no safety guards installed for one (1) metal cutting machine observed in the mechanic room of factory No.3, or for two (2) grinding machines and one (1) drilling machine observed in the maintenance room of factory No.1 (Sewing workshop).
Recommendation for Immediate Action	Install safety guards for all machines that require them.
Compliance Classifications	Immediate Action Required
Local Law	
Benchmark ID	HSE.6.1

Benchmark Details	All safety and medical equipment (e.g. fire fighting equipment, first aid kits) shall be available in sufficient numbers throughout the workplace, maintained and stocked as prescribed, and easily accessible to workers.
Finding Details	There are no fire extinguishers equipped at the motorbike parking area (Factory No.1 & Factory No.2), car parking area (Factory No.3), or the mezzanine floor of Factory No. 3 where chemicals are stored.
Recommendation for Immediate Action	Install fire extinguishers to protect all areas from the risk of fire.
Compliance Classifications	Immediate Action Required
Local Law	
Benchmark ID	HSE.1
Benchmark Details	Employers shall comply with all national laws, regulations and procedures concerning health, safety, and the environment.
Finding Details	The factory has not submitted the 1st Environmental Monitoring and Reporting document for 2023 (January to June 2023) as is required by law. Management explained that the document is still in process with the consultant of the lab test.
Recommendation for Immediate Action	Ensure to submit the environmental monitoring report on time, as per local laws.
Compliance Classifications	Immediate Action Required
Local Law	
Benchmark ID	HSE.14.3
Benchmark Details	Employers shall ensure safety instructions are either displayed or posted near all machinery or are readily accessible to the workers in language(s) spoken by workers.

Finding Details	The facility observed that there are no safe operation procedures posted for the two (2) grinding machines and one (1) drilling machine in the maintenance room of factory No.1 (sewing workshop).
Recommendation for Immediate Action	Establish and post safe operating procedures for all machines, in the proper language/s.
Compliance Classifications	Immediate Action Required
Local Law	
Benchmark ID	HSE.10.1
Benchmark Details	Material Safety Data Sheets (MSDS) for all chemicals and hazardous substances used in the workplace must be available at the usage and storage sites of the chemicals and hazardous substances, in the local language and the language spoken by workers, if different from the local language.
Finding Details	There are no material safety data sheets (MSDS) posted in the printing workshop for workers' reference. The factory only posts the MSDSs in the chemical warehouse.
Recommendation for Immediate Action	Post the MSDS for all chemicals at the location where they are used.
Compliance Classifications	Immediate Action Required
Local Law	
Benchmark ID	HSE.8
Benchmark Details	Workers shall be provided with training on the use and maintenance of personal protective equipment. Training shall be upon hire with periodic refresher training offered to all workers. Management will ensure use of PPE as necessary.

Finding Details	Four (4) out of five (5) workers observed in the chemical warehouse were not using proper personal protective equipment (PPE) such as carbon face masks, gloves, and glasses. Those workers were using only dust masks. Two (2) observed workers (contractors) who were painting the mechanical equipment were not wearing PPE such as carbon face-masks, gloves, and glasses. Another worker was working at elevated heights and was not using proper PPE such as a helmet and safety belt.
Recommendation for Immediate Action	Train and supervise workers to use appropriate PPE effectively whenever needed.
Compliance Classifications	Immediate Action Required
Local Law	

### Hours Of Work (HOW)

Benchmark ID	HOW.1.1
Benchmark Details	Employers shall comply with all national laws, regulations and procedures concerning hours of work, public holidays and leave.
Finding Details	The assessment found that the factory regularly opens its gate at 7:00 AM and workers generally arrive and clock in at 7:30 AM, which is before their regular working hours begin. When workers clock in earlier than 7:15, the time record shows the time-in as 7:15, indicating that the system is recording a default rather than the actual time. The assessment found that workers arrive early to avoid long queues, not to perform additional work. Management explained that the system could not record a time before 7:15, as factory policy is that workers cannot clock in before that. At least six sampled workers from the cutting, sewing, and warehouse section in May 2023 and July 2023 clocked in earlier than 7:15 anywhere from three to 18 days in a month, with the time in appearing as 7:15 every time.
Recommendation for Immediate Action	

Compliance Classifications	Sustainable Improvement Required
Local Law	

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